

## Message Text

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PAGE 01 BRUSSE 11271 01 OF 02 082002Z  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 TRSY-02 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07  
LAB-04 SIL-01 OMB-01 /070 W  
-----120015 082023Z /64

R 081950Z JUN 78

FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 7147  
INFO AMEMBASSY BONN  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 BRUSSELS 11271

ALSO FOR USEC; GENEVA ALSO FOR MTN; PARIS ALSO FOR USOECD;

PASS TREASURY

E.O. 11652:N/A  
TAGS: EIND, ETRD, US, EC, BE  
SUBJ: BELGIAN STEEL OUTLOOK LOOKS BRIGHTER

REF: (A) BRUSSELS 10371; (B) BRUSSELS 6735

1. BEGIN SUMMARY. EMBOFFS LUNCHEON JUNE 6 WITH BELGIAN  
STEEL FEDERATION OFFICIALS (PRESIDENT OURY AND INTERNATIONAL  
DIRECTOR GHISLAIN) AND HAD TOUR D'HORIZON OF BELGIAN,  
EUROPEAN AND INTERNATIONAL STEEL SITUATIONS. WE FOUND  
BELGIANS MORE OPTIMISTIC ON ALL THREE FRONTS THEN THEY HAD  
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BEEN IN APRIL. BASIS OF THEIR OPTIMISM IS BELIEF THAT  
trigger price mechanism has stabilized international  
market and healthy state of US steel market. BELGIAN STEEL  
SALES TO US MARKET FOR THE REST IN 1978 ARE NOW ESTIMATED  
BY STEEL FEDERATION TO BE IN NEIGHBORHOOD OF 60-70 PERCENT  
OF 1977 AVERAGE, A MAJOR IMPROVEMENT OVER PESSIMISTIC  
FORECAST MADE IN APRIL (15-30 PERCENT). END SUMMARY.

2. ON DOMESTIC FRONT, BOTH OURY AND GHISLAIN EXPRESSED SATISFACTION WITH PROGRESS BEING MADE IN RESOLVING BELGIUM/LUXEMBOURG STEEL DIFFICULTIES. CLOSED-DOOR TALKS FOLLOWING THE TRIPARTITE CONFERENCE ON STEEL (REF A) HAVE MADE SUBSTANTIAL PROGRESS IN WORKING OUT ACCEPTABLE SOLUTIONS ON THE KEY ISSUES OF GOVERNMENT PARTICIPATION AND EXTENSION OF BANK CREDIT LINES. THE MAJOR PROBLEMS THAT REMAIN ARE TO FLESH OUT THE TENTATIVE CONSENSUS ON THESE ISSUES AND TO WORK OUT AN ACCEPTABLE COMPROMISE WITH WHITE- AND BLUE COLLAR LABOR UNIONS SEEKING A REDUCED WORK WEEK AT THE SAME PAY. OURY AND GHISLAIN WERE REASONABLY CERTAIN THAT BROAD AGREEMENT COULD BE REACHED ON A "FINAL" PACKAGE TOWARDS THE END OF JUNE, WITH FUTURE RESTRUCTURING OF PRODUCT LINES AND PRODUCTION LEFT TO THE NEW NATIONAL PLANNING COMMITTEE TO DEVELOP ON A CASE BY CASE BASIS. ALTHOUGH NOT RESPONSIBLE FOR THE FINANCIAL SIDE OF THE PACKAGE, BOTH OFFICIALS BELIEVED THAT THE LARGE HOLDING COMPANIES AND BANKS WOULD ACCEPT AN ARRANGEMENT WHICH LEFT OPEN QUESTIONS SUCH AS THE POSSIBLE EXPANSION OF GOVERNMENT OWNERSHIP IN AT LEAST ONE COMPANY (COCKERILL) TO A MAJORITY HOLDING AT SOME FUTURE POINT IN TIME, DEPENDING ON LONGER TERM DEVELOPMENTS IN THE STEEL MARKET.

3. ON INTERNATIONAL FRONT, OURY AND GHISLAIN MADE WHAT WAS TO US THE RATHER SURPRISING COMMENT THAT TRIGGER PRICE  
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MECHANISM (TPM) HAD PLAYED A MAJOR ROLE IN STABILIZING INTERNATIONAL STEEL MARKET. OURY IN PARTICULAR PRAISED THE TPM AS AN EFFECTIVE "TAILOR-MADE" USG SOLUTION TO A TRICKY PROBLEM; HE NOW BELIEVES THAT THE TPM WILL NOT BE MANIPULATED POLITICALLY, AS EUROPEANS - HIMSELF INCLUDED - HAD FEARED LAST FEBRUARY. THE CALMING EFFECT OF THE TPM, PLUS THE BUOYANCY OF US MARKET FOR STEEL (WITH US STEEL-MAKERS PRESENTLY PRODUCING AT 85-90 PERCENT OF CAPACITY) HAS HAD A VERY POSITIVE EFFECT ON BELGIAN STEEL ORDERS IN THE LAST COUPLE OF MONTHS. PRESENT STEEL FEDERATION FORECASTS FOR 1978 ESTIMATE THAT BELGIAN STEEL SHIPMENTS TO US WILL REACH 60-70 PERCENT OF 1977 LEVELS, A FAR BETTER OUTLOOK THAN HAD BEEN FORESEEN AS RECENTLY AS APRIL. BELGIANS ANTICIPATE THAT US MARKET FOR STEEL -- AND FOR IMPORTED STEEL -- WILL CONTINUE RELATIVELY BUOYANT FOR THE REMAINDER OF 1978.

4. SPEAKING TO A QUERY ABOUT THE DAVIGNON PLAN, GHISLAIN BELIEVES THAT WHEN BELGIAN/LUXEMBOURG SITUATION IS SETTLED, EC COMMISSION WILL HAVE TO TURN ITS ATTENTION FIRST TO FRANCE AND GERMANY. FRENCH STEEL APPEARS TO REQUIRE THE SAME BASIC RESTRUCTURING THAT THE BELGIAN/LUXEMBOURG WILL

BE UNDERGOING. HE SEEMED LESS SURE OF WHAT THE FUTURE HOLDS FOR THE GERMAN STEEL INDUSTRY, AND EXPECTS THAT THEY WILL BE HARDEST NUT FOR DAVIGNON TO CRACK. DAVIGNON, HOWEVER, HOLDS STRONG CARDS. GERMANS WILL GO ALONG WITH OTHERS IN END BECAUSE THEIR STEEL INDUSTRY DOES NOT RELISH PROSPECT OF COMPETING WITH MORE EFFICIENT SEMI-NATIONALIZED OR GOVERNMENT-ASSISTED STEEL COMPANIES IN FRANCE, BELGIUM AND LUXEMBOURG. QUESTION IS WHETHER DAVIGNON WILL HAVE THE TWO YEARS HE NEEDS TO ACCOMPLISH THIS PROGRAM BEFORE HE IS CALLED BACK TO BELGIAN POLITICS.

5. ON BRITISH AND ITALIAN STEEL SITUATIONS, GHISLAIN BELIEVES THAT BSC, ALTHOUGH BETTER MANAGED NOW THAN SEVERAL YEARS AGO, FACES VIRTUALLY INSURMOUNTABLE PROBLEMS OVER LIMITED OFFICIAL USE

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NEXT FEW YEARS. BELGIAN STEEL FEDERATION DOES NOT

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INFO OCT-01 IO-13 ISO-00 TRSY-02 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07  
LAB-04 SIL-01 OMB-01 /070 W  
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R 081950Z JUN 78  
FM AMEMBASSY BRUSSELS  
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ALSO FOR USEC; GENEVA ALSO FORMTN: PARIS ALSO FOR USOEC;

PASS TREASURY

BELIEVE -- EVEN ON BEST HYPOTHESIS -- THAT BSC CAN BE PROFITABLE BEFORE 1982/83. AS FOR ITALY'S BRESCIANI STEEL MAKERS, COMMUNITY WILL HAVE TO PUT UP WITH THEIR UNRESTRAINED COMPETITIVENESS FOR SOME TIME TO COME. WITH THEIR HEAVY DEPENDENCE ON SCRAP INPUT, HOWEVER, BRESCIANI ARE VULNERABLE IF SCRAP PRICES INCREASE. AT PRESENT, LESS THAN \$50 PER TON SEPARATES BRESCIANI STEEL QUOTATIONS FROM THOSE OF EFFICIENT PRODUCERS OF SIMILAR PRODUCTS (REINFORCING BAR, ETC.) IN REST OF EUROPE.

CHAMBERS

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Case Number:** n/a  
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**Disposition Date:** 20 Mar 2014  
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**Type:** TE  
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